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June 19, 1992 JUN 19 1992 -11 30 AM

INTERSTATE COMMERCE COMMISSION

The Honorable Sidney L. Strickland, Jr.
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

JUN 19 11 30 AM '92
MOTOR OPERATING UNIT

Dear Secretary Strickland:

Enclosed for recordation, under the provisions of 49 U.S.C. § 11303(a) and the regulations thereunder are three executed counterparts of Security Agreement from Rail Co. II, a Delaware corporation ("Debtor") to The Lincoln National Life Insurance Company, an Indiana corporation ("Secured Party"), a primary document, dated as of May 29, 1992.

The names and addresses of the parties to the enclosed documents are as follows:

Debtor:

Rail Co. II
1209 Orange Street
Wilmington, Delaware 19801

Secured Party:

The Lincoln National Life Insurance Company
1300 South Clinton Street
Fort Wayne, Indiana 46801

A general description of the railroad equipment covered by the enclosed documents is attached hereto as Schedule I.

The undersigned is the attorney-in-fact of Rail Co. II and The Lincoln National Life Insurance Company mentioned in the enclosed documents and has knowledge of the matters set forth therein. Please return the extra copies of the

Donelan, Cleary, Wood & Maser

[Signature]

DONELAN, CLEARY, WOOD & MASER, P. C.
Letter to Secretary Sidney L. Strickland, Jr.
June 19, 1992
Page 2

enclosed documents to John K. Maser III, Esquire, Donelan, Cleary, Wood & Maser, P.C., Suite 850, 1275 K Street, N.W., Washington, D.C. 20005-4078, or to the bearer hereof.

Also enclosed is a remittance in the amount of \$16.00 for the required recording fee.

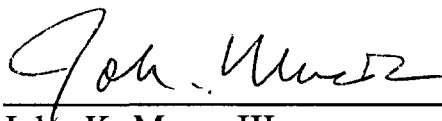
A short summary of the document to appear in the index follows:

Security Agreement from Rail Co. II, as Debtor, to The Lincoln National Life Insurance Company, as Secured Party, dated as of May 29, 1992, covering (1) 115 new central flow covered rail hopper cars bearing identification marks and numbers SAMX40000 through SAMX40088 and SAMX60000 through SAMX60025; (2) 55 new specialty rail tank cars to be used primarily for the transportation of tallow, lard or grease bearing identification marks and numbers CRGX16046 through CRGX16100; and (3) 110 new specialty rail tank cars to be used primarily for the transportation of vegetable oil bearing identification marks and numbers CRGX7320 through CRGX7429.

Very truly yours,

RAIL CO. II

THE LINCOLN NATIONAL LIFE
INSURANCE COMPANY

By: 

John K. Maser III
Attorney-In-Fact

Attachment

SCHEDULE I

DESCRIPTION OF RAILROAD EQUIPMENT

1. One hundred fifteen (115) new central flow covered rail hopper cars manufactured by ACF Industries, Incorporated, bearing identification marks and numbers SAMX40000 through SAMX40088 and SAMX60000 through SAMX60025.

2. Fifty-five (55) new specialty rail tank cars manufactured by Union Tank Car Company and intended to be used primarily for the transportation of tallow, lard or grease, bearing identification marks and numbers CRGX16046 through CRGX16100.

3. One hundred ten (110) new specialty rail tank cars manufactured by Trinity Industries, Inc. and intended to be used primarily for the transportation of vegetable oil, bearing identification marks and numbers CRGX7320 through CRGX7429.

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INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

From

RAIL CO. II
as Debtor

to

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY,
as Secured Party

Dated as of May 29, 1992

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THIS SECURITY AGREEMENT, dated as of May 29, 1992 (herein, together with amendments and supplements hereto, called this Security Agreement), from RAIL CO. II, a Delaware corporation (herein, together with its successors and assigns as debtor, called the Owner), having an address at 1209 Orange Street, Wilmington, Delaware 19801, as debtor, to THE LINCOLN NATIONAL LIFE INSURANCE COMPANY, an Indiana corporation, as secured party (herein, together with its successors and assigns as secured party hereunder, called the Secured Party), having an address at 1300 South Clinton Street, Fort Wayne, Indiana 46801.

PRELIMINARY STATEMENT

The defined terms used herein but not otherwise defined have the meanings set forth in Article 1.

Secured Party and Owner have entered into a Note Purchase Agreement dated as of the date hereof providing for the issuance by Owner and purchase by Secured Party of certain 8.71% Secured Notes due 2012, all as more particularly described in said Note Purchase Agreement.

The Owner is duly authorized to issue the Notes and the Owner is duly authorized to execute and deliver this Security Agreement, and all actions required by law and all actions of the Owner required therefor have been duly taken.

GRANTING CLAUSE

NOW, THEREFORE, THIS SECURITY AGREEMENT WITNESSETH that, to secure the prompt payment of the principal and interest on, and all other amounts due with respect to, all Notes from time to

time outstanding hereunder and the performance and observance by Owner of all the agreements, covenants and provisions contained herein and in the Note Agreement and the Notes for the benefit of Secured Party and any future holders of a Note, and the prompt payment of all amounts from time to time owing under the Notes by Owner to Secured Party and any such holders and for the uses and purposes and subject to the terms and provisions hereof, and in consideration of the premises and of the covenants herein contained, and of the acceptance of the Notes by Secured Party, and for good and valuable consideration the receipt and adequacy whereof is hereby acknowledged, Owner has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed, and does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and confirm, unto Secured Party, its successors and assigns, for the security and benefit of Secured Party and the holders from time to time of a Note, a first priority security interest in all right, title and interest of Owner in, to and under the following described property, rights and privileges, other than Excluded Amounts and Excepted Rights, to wit:

- (1) The Equipment (together with all additions thereto, replacements thereof and substitutions therefor in which Owner shall from time to time acquire an interest as provided herein and in the Lease and each Lease Supplement), all as more particularly described in the Lease Supplements, or any such replacements or

substitutions therefor, as provided in this Security Agreement (the Equipment, the insurance proceeds described in clause (5) below and all other proceeds with respect to the Equipment are collectively referred to as the Equipment Collateral);

(2) All right, title and interest of Owner under the Lease and each Lease Supplement and all amounts payable under either thereof, including, without limitation, (a) all Basic Rent and Supplemental Payments and any other income, revenues, profits, insurance proceeds, condemnation awards or other amounts payable thereunder, except any Excluded Amounts, (b) the right to make all waivers and agreements and to give and receive all notices and other communications under the Lease, and (c) the right to take any action upon the occurrence of a default or Event of Default under the Lease or by law (subject to the terms hereof) (herein collectively referred to, together with the property and rights described in subsections (3), (4) and (5) below, as the Other Collateral);

(3) All bills of sale, invoices and other documents and all right, title and interest of Owner hereunder now or hereafter delivered by the manufacturer or seller with respect to any Unit or Units of Equipment, including, without limitation any documents transferring any interest in any patent indemnification or in any

warranty or other intangible rights associated with any Unit or Units of Equipment;

- (4) All payments, issues, profits, revenue and other income of the property subjected or required to be subjected to the lien of this Security Agreement;
- (5) All insurance proceeds with respect to the Equipment, including but not limited to the insurance required under Section 17 of the Lease, but excluding insurance proceeds included in the definition of Excluded Amounts; and
- (6) All proceeds of any of the foregoing.

Concurrently with the delivery hereof, Owner is delivering to Secured Party the original executed counterpart of the Lease.

TO HAVE AND TO HOLD all and singular the aforesaid property unto Secured Party, and its successors and assigns hereunder, for the uses and purposes and subject to the terms and provisions set forth in this Security Agreement.

Notwithstanding the Granting Clause or any of the preceding paragraphs, there is hereby excluded from the foregoing sale, transfer, assignment, grant, pledge and security interest all Excluded Amounts and Excepted Rights.

IT IS HEREBY COVENANTED, DECLARED AND AGREED that the Notes are to be secured, and the Collateral is to be held by the Secured Party, upon and subject to the covenants and conditions set forth herein.

ARTICLE 1

Definitions

Unless the context otherwise requires, the following terms have the meanings herein specified, such definitions to be applicable equally to the singular and the plural forms of such terms:

Affiliate means, with respect to any Person, a Person which, directly or indirectly through one or more intermediaries, controls, or is controlled by or is under common control with, such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

Allocable Portion of the Notes means at any date with respect to any Unit of Equipment, the amount calculated by multiplying the aggregate outstanding principal amount of the Notes by a fraction, the numerator of which fraction shall be the Estimated Residual Value (as defined in the Lease) for such Unit of Equipment minus the Equity Residual Value for such Unit of Equipment and the denominator of which fraction shall be the Estimated Residual Value with respect to all Units of Equipment then subject to this Security Agreement minus the Equity Residual Value for all such Equipment then subject to this Security Agreement.

Assignment means the Assignment of Lease, dated as of the date hereof, from the Owner to the Secured Party and consented to by Lessee, and as amended or supplemented from time to time as permitted hereby or thereby, relating to the Lease.

Bankruptcy Act has the meaning specified in Section 6.1.

Bankruptcy Laws has the meaning specified in Section 6.1.

Basic Term has the meaning specified in the Lease.

Business Day has the meaning specified in the Lease.

Closing Date has the meaning specified in the Note Agreement.

Collateral means the property subject or intended to be subject at any time to the lien hereof, including, without

limitation, the Equipment Collateral and Other Collateral described in the Granting Clause.

Default means any act or occurrence which, with notice, lapse of time or both, would constitute an Event of Default.

Equipment means the personal property described in Exhibit A hereto, which is being or will be leased under the Lease, as described in the Lease Supplements.

Equipment Collateral shall have the meaning assigned in the Granting Clause.

Equity Residual Value means at any date with respect to any Unit of Equipment, the amount calculated by multiplying the Estimated Residual Value (as defined in the Lease) for such Unit of Equipment by 2.9584924%. The Equity Residual Value for all Units of Equipment subject to this Security Agreement as of the date of any calculation shall be the Estimated Residual Value for all such Units of Equipment multiplied by 2.9584924%.

Event of Default means any act or occurrence of the character specified in Section 6.1(a) through 6.1(h).

Event of Loss has the meaning specified in the Lease.

Excepted Rights means the right to receive and to demand, collect, sue for or otherwise obtain all of the Excluded Amounts.

Exchange Note has the meaning specified in Section 2.14.

Excluded Amounts means (i) indemnity payments payable directly to the Owner by Lessee pursuant to Sections 18 or 19 of the Lease, (ii) amounts payable directly to the Owner under the Lease in respect of insurance awards or proceeds, and (iii) amounts payable directly to the Owner by Lessee pursuant to Section 31 of the Lease.

Expiration Date has the meaning specified in Section 3.1.

Holder means the registered owner of any Note.

Installment Payments has the meaning specified in the Notes.

Institutional Investor means any of the following Persons existing under the laws of the United States or any state thereof or of the District of Columbia or of Canada or any province thereof: (i) any bank, trust company or national banking association, acting for its own account or in a fiduciary capacity, and having a long-term indebtedness rating of "BBB" or higher (or the equivalent thereof) as reported by any nationally recognized credit rating agency, (ii) any charitable foundation

or other eleemosynary institution, (iii) any insurance company, (iv) any pension or retirement trust or fund for which any bank, trust company or national banking association or investment adviser registered under the Investment Advisers Act of 1940, as amended, is acting as trustee or agent, or if self managed, having funds of at least \$50,000,000, (v) any investment company, as defined in the Investment Company Act of 1940, as amended, (vi) any college or university, (vii) any government, any public employees' pension or retirement system, or any other governmental agency supervising the investment of public funds, (viii) a "real estate investment trust," as defined in Section 856 of the Internal Revenue Code of 1986, as amended, (ix) a nationally recognized real estate syndication firm or (x) a nationally recognized investment banking firm; provided, however, that with respect to the parties listed in clauses (ii), (iii) or (v)-(x), such entity must have a net worth, determined in accordance with generally accepted accounting principles, consistently applied, of not less than \$25,000,000.

L/C Issuer means BOT Financial Corporation, a Delaware corporation.

Lease means the Equipment Leasing Agreement, dated as of May 29, 1992, between the Owner, as lessor, and Lessee, as lessee, and as amended and supplemented from time to time as permitted hereby or thereby, relating to the Equipment.

Lease Supplement means the Lease Supplement substantially in the form attached to the Lease as Exhibit B thereto, to be executed by Lessee and Owner with respect to a Unit or Units of Equipment evidencing that such Unit or Units have been unconditionally accepted by Lessee for lease and are leased under, and subject to the terms of, the Lease.

Lessee means Cargill, Incorporated, a Delaware corporation, together with its successors and assigns as lessee under the Lease.

Lessee Default has the meaning specified in Section 6.1.

Lessor means the Owner, as defined herein, and its permitted successors and assigns.

Lien means any lien, mortgage, encumbrance, pledge, charge and security interest of any kind.

Lien of this Security Agreement and terms of like import mean the security title or security interest or other interest or charge granted to the Secured Party hereby or subsequently granted hereunder or pursuant hereto to the Secured Party (whether made by the Owner or any other Person) or otherwise created, which title, interest, or charge effectively constitutes

any property as a part of the security held by the Secured Party as secured party hereunder.

Maturity Date has the meaning specified in the Note Agreement.

Maximum Lessor Risk Amount has the meaning specified in the Lease.

Net Proceeds of Sale has the meaning specified in the Lease.

Note Agreement means the Note Purchase Agreement, dated May 29, 1992, as the same may be amended from time to time, between the Secured Party and the Owner, relating to the issuance and sale of the Notes.

Notes means, as of any particular time, the then outstanding Notes issued by the Owner in connection herewith and any Notes issued from time to time in exchange or substitution therefor.

Other Collateral shall have the meaning assigned in the Granting Clause.

Overall Transaction means all of those transactions referred to in, provided for in, or contemplated by, the Principal Documents, including, without limitation, the manufacture, purchase, ownership, financing, leasing, operation and management of the Equipment.

Overdue Rate means 1% over the interest rate on the Notes, but in no event greater than the maximum rate permitted by applicable law.

Owner has the meaning specified in the first paragraph of this Security Agreement.

Owner's Cost means the Acquisition Cost of each Unit of Equipment (as the term Acquisition Cost is defined in the Lease) as shown on the invoice or bill of sale rendered by the seller of such Unit and as set forth on the Lease Supplement for such Unit.

Owner Lien means a Lien arising as a result of an independent act of or claim against Owner which (i) does not result from, or arise out of, the Overall Transaction and (ii) is not a Lien that Lessee is required to remove or indemnify against under any of the Principal Documents.

Person has the meaning specified in the Lease.

Principal Documents means this Security Agreement, the Note Purchase Agreement, the Notes, the Lease, the Lease Supplements,

the Lease Assignment, the Letter of Credit, and the Comfort Letter.

Recordable Documents has the meaning specified in Section 2.3.

Register has the meaning specified in Section 2.14.

Reinvestment Premium means, for any Unit of Equipment, as of any date, the excess, if any, of (a) the net present value of the sum of (i) all Installment Payments due on the Notes relating to such Unit of Equipment remaining to be paid from and after such date through, but not including, the Maturity Date and (ii) the outstanding principal balance of the Notes relating to such Unit of Equipment on the Maturity Date immediately prior to payment of any amounts on such date, together with any interest due on such Maturity Date (together (i) and (ii) are for the purposes of this definition, referred to as the "Discounted Payments"), each discounted at a rate of 50 basis points over the then current yield for direct obligations of the United States having a maturity equal to the weighted average life of the Discounted Payments over (b) the outstanding principal balance of the Notes applicable to such Units on such date.

Renewal Term has the meaning specified in the Lease.

Rent has the meaning specified in the Lease.

Responsible Officer shall mean the President or a Vice President of Owner.

Required Alterations has the meaning specified in the Lease.

Secured Party has the meaning specified in the first paragraph of this Security Agreement.

Subsequent Owner means (i) any and every future purchaser, assignee or transferee of the Equipment or any part thereof and (ii) any and every future purchaser, assignee or transferee of the interest of any owner in the Equipment, but upon the sale, assignment or transfer of all of such right, title and interest in and to the Equipment by a Subsequent Owner, such Subsequent Owner shall cease to be a Subsequent Owner.

Supplemental Payment has the meaning specified in the Lease.

Termination Date has the meaning specified in the Lease.

Unit of Equipment or Unit means a single railcar included in the Equipment.

ARTICLE 2

Particular Covenants

Anything in this Security Agreement or the Notes to the contrary notwithstanding, the Owner represents, warrants, covenants and agrees as follows:

Section 2.1 Owner's Authority; No Prior Financing Statements. Owner has the right, power and authority to assign the Other Collateral and to grant a security interest in the Equipment Collateral to Secured Party for the uses and purposes herein set forth, and there is no financing statement or other filed or recorded instrument filed with the Interstate Commerce Commission (ICC) or elsewhere in which Owner is named and which Owner has signed, as debtor or mortgagor, now on file in any public office covering any of the Collateral excepting the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein.

Section 2.2 Further Assurances. The Owner will, at its expense, do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, instruments and reasonable assurances required by the Secured Party for the better assuring, conveying, granting, confirming and protecting unto the Secured Party its assignment and security interest in the Collateral whether now owned or hereafter acquired or for carrying out the intention or facilitating the performance hereof.

Section 2.3 Recording. The Owner will, upon the execution and delivery hereof and thereafter from time to time, cause this Security Agreement, the Lease, the Assignment, each supplement and amendment to each of said instruments and financing statements with respect thereto (collectively called the Recordable Documents), to be filed, registered and recorded as the Secured Party may request and as may be required by present or future law to publish notice of and create, perfect and protect the lien hereof upon the Collateral and to publish notice of and protect the validity of the Lease and the Assignment. The Owner will, from time to time, at the request of the Secured Party, perform or cause to be performed any other act as required by law, including the filing of financing statements and continuation statements, and will execute or cause to be executed any and all further instruments requested by the Secured Party for such creation, perfection, publication and protection (any such request to be in writing and accompanied by an execution form of the financing statement, continuation statement or further instrument to be executed). If the Owner shall fail to comply with this Section, the Secured Party shall be and is hereby irrevocably appointed the agent and attorney-in-fact of the Owner to comply therewith (including the execution, delivery and filing of such financing statements and other instrument), but this sentence shall not prevent any default in the observance of this Section from constituting an Event of Default. To the extent permitted by law, the Owner will pay or cause to be paid

all filing, registration and recording taxes and fees incident thereto and all expenses, taxes and other governmental charges incident to or in connection with the preparation, execution, delivery or acknowledgement of the Recordable Documents, any instruments of further assurance and the Notes.

Section 2.4 Payment of the Notes. The Owner will punctually pay the principal, interest, Reinvestment Premium, if any, and all other sums to become due in respect of the Notes in accordance with this Security Agreement and the Notes.

Section 2.5 The Lease and the Assignment. At all times the Equipment shall be leased to Lessee under the Lease, provided that such Equipment may be subleased and the Lease may be assigned by Lessee upon compliance with the terms and conditions of the Lease. The Owner will punctually perform all obligations, covenants and agreements by it to be performed as lessor under the Lease in accordance therewith, will at all times do all things necessary to compel performance by Lessee of all its obligations, covenants and agreements under the Lease and will give to the Secured Party notice of all defaults under the Lease promptly after obtaining actual knowledge thereof. Except as specifically required in the Lease, the Owner will not amend the Lease without the prior written consent of the Secured Party. The Owner will, at all times, maintain the validity and effectiveness of the assignment to the Secured Party of the Lease made by this Security Agreement and the Assignment, as appropriate, and (except as expressly permitted by the Lease, the

this Security Agreement or the Assignment) will take no action, will give no consent or approval for action to be taken by others and will not omit to take any action, which action or omission would release Lessee from its obligations or liabilities under the Lease or the Assignment, or would result in the termination, amendment or modification or impair the validity of the Lease or the Assignment.

Section 2.6 Existence; Compliance with Laws; Owner Liens.

The Owner will (i) take such steps as may be necessary to preserve its corporate existence, and (ii) will take such steps as may be necessary to preserve its right to conduct business in all states or jurisdictions in which the nature of its business and operations require qualification to do business as a foreign corporation. The Owner will comply with or cause to be complied with (a) any law, statute, ordinance, regulation, order, rule, decree or similar requirement of the United States of America or of any other governmental authority, and (b) any contract (including insurance policies), agreement, other instrument or restrictions, in each case applicable to the Owner or the Collateral, including all such legal requirements, contracts, agreements and restrictions which involve Required Alterations to the Collateral. Nothing in this Section shall require the Owner to comply with any such law, statute, ordinance, regulation, order, rule, decree or similar governmental requirement so long as a contest of the validity thereof shall be made by Lessee or by the Owner in the manner provided in the Lease. The Owner will

at all times keep the Collateral free from Owner Liens, other than the subordinate security interest granted to the L/C Issuer pursuant to the Reimbursement Security Agreement dated as of the date hereof between Owner and L/C Issuer.

Section 2.7 After-acquired Property. All right, title and interest of the Owner in and to all extensions, improvements, renewals, alterations, substitutions, modifications and replacements of, and all additions and appurtenances to, the Equipment hereafter acquired by the Owner, immediately upon such acquisition and without any further act by the Owner, shall become part of the Equipment Collateral and shall be subject to the lien hereof fully, completely and with the same effect as though now owned by the Owner and specifically described in the Granting Clause hereof; at any time the Owner will execute and deliver to the Secured Party any such further assurances or as the Secured Party may reasonably require to subject the same to the lien hereof.

Section 2.8 Taxes. The Owner will do or cause to be done everything necessary to fully preserve the lien hereof without expense to the Secured Party, including, without limitation, paying and discharging or causing to be paid and discharged, whether or not payable directly by the Owner or subject to withholding at the source, (a) all taxes, assessments, levies, fees, and all other governmental charges, general, special, ordinary and extraordinary, foreseen or unforeseen, which are, at any time prior to or during the terms hereof imposed or levied

upon or assessed against the Owner with respect to the Collateral, this Security Agreement, the indebtedness secured hereby or the revenues, rents, issues, income and profits of the Collateral or which may arise in respect of the use, possession or operation thereof, (b) all income, excess profits, sales, gross receipts and other taxes; duties or imposts, whether similar or not in nature, assessed against, imposed or levied upon, by any governmental authority on the Owner, the Collateral or the revenues, rents, issues, income and profits of the Collateral (but excluding any net income, franchise, estate, inheritance, succession, transfer or profits taxes of the Secured Party unless such tax is in lieu of or a substitute for any other tax or assessment with respect to the Collateral, which if such other tax or assessment were in effect, would be payable by the Owner), (c) all sales, use and similar taxes at any time levied, assessed or payable on account of the acquisition, leasing, or use of the Collateral and (d) all claims and demands of mechanics, laborers, materialmen and others which, if unpaid, might create a lien on the Collateral or on the revenues, rents, issues, income and profits of the Collateral, unless a contest of the amount or the validity thereof shall be made in good faith by Lessee in accordance with the Lease. Lessee's compliance with Section 18 of the Lease shall satisfy the Owner's obligations contained in this Section, to the extent that such taxes relate to the Collateral or the transactions contemplated hereby or by the Note Agreement.

Section 2.9 Insurance.

(a) The Owner will maintain or cause to be maintained with respect to the Equipment insurance of the character and with the coverage, provisions and endorsements required to be maintained pursuant to the Lease, whether or not the Lease shall have been terminated. Lessee's compliance with Section 17 of the Lease shall satisfy the Owner's obligations contained in this Section.

(b) Insurance claims by reason of damage to or destruction of any Unit of Equipment shall be adjusted by Lessee or the Owner in accordance with the Lease.

(c) The Owner shall not obtain or carry any separate insurance concurrent in form or contributing in the event of loss with that required to be maintained under this Section 2.9 (other than any liability or worker's compensation policy) unless the Secured Party is included therein as named insured, with loss payable to the Secured Party or its assigns as provided in the Lease. The Owner shall immediately notify the Secured Party whenever any such separate insurance is taken out, specifying the insurer and full particulars as to the policies evidencing the same, and shall deliver to the Secured Party certificates of insurers evidencing such insurance.

(d) The Owner shall deliver or cause to be delivered to the Secured Party original or duplicate policies or certificates of insurers, satisfactory to the Secured Party, evidencing the existence of all insurance which is required to be maintained hereunder, such delivery to be made (i) simultaneously with the

execution and delivery hereof and (ii) not less than 15 Business Days prior to the expiration of any such insurance. The Owner shall immediately notify the Secured Party whenever any such separate insurance is obtained by the Owner and shall deliver to the Secured Party the policies evidencing the same. Any insurance required hereunder may be provided under blanket policies which comply with the provisions hereof and specify the coverage and amounts thereof with respect to the Equipment.

Section 2.10 Maintenance and Repair; Indemnity. (a) The Owner will maintain the Equipment or cause the Equipment to be maintained in good order and operating condition, ordinary wear and tear excepted, and will make or will cause to be made all repairs which may be required to keep the Equipment in good order and operating condition, including but not limited to taking or causing to be taken actions necessary as set forth in Section 2.6 hereof. Lessee's compliance with Section 11 of the Lease will satisfy the Owner's obligations set forth in this Section.

(b) The Owner shall pay, and shall protect, indemnify and save harmless the Secured Party from and against all liabilities, losses, damages, costs, expenses (including reasonable attorney's fees and expenses), causes of action, suits, claims, demands or judgments of any nature arising from injury to or death of any Person, or damage to or loss of property, or connected with the use, condition or operation of the Equipment.

Section 2.11 Advances by the Secured Party. If the Owner shall fail to perform or cause to be performed any of the

covenants contained in Sections 2.3, 2.8, 2.9 or 2.10, the Secured Party may make advances to perform the same on its behalf, and all sums so advanced shall be secured by the lien of this Security Agreement prior to the Notes; and the Owner will repay on demand all sums so advanced on its behalf with interest at the Overdue Rate, such interest to be computed from and including the date of the making of such advance to and including the date of such repayment.

Section 2.12 Negative Covenants. The Owner will not (i) engage, directly or indirectly, in any business other than the acquisition, ownership and leasing of the Equipment, (ii) create, assume, guarantee or suffer to exist any indebtedness other than the Notes, (iii) make or permit to remain outstanding, a loan or advance to, or own or acquire any stock or securities of any Person, (iv) sell, lease, transfer, convey, assign or otherwise dispose of the Collateral or any part thereof, except as permitted in Section 3.4 or in the Lease, (v) claim any credit on, or make any deduction from interest or Reinvestment Premium, if any, or on principal of the Notes by reason of payment of any taxes levied or assessed or to be levied or assessed on the Collateral or any part thereof, or (vi) create or suffer to be created, directly or indirectly, any mortgage, lien, encumbrance, charge or other exception to title or ownership upon or against the Collateral or any rents or other income arising therefrom, other than the Lease and Assignment, the subordinate security

interest granted to the L/C Issuer, and as expressly permitted by this Security Agreement.

Section 2.13. Lease Basic Rent. Each installment of Rent as defined in and payable under the Lease shall, on each date for the payment thereof (as set forth in the Lease), be sufficient to make payment of the Installment Payment due on or about such date. The purchase price which would be payable by Lessee upon the purchase of the interest of the Owner in the Equipment pursuant to Section 28(b) of the Lease shall not be less than the Allocable Portion of the Notes in respect of the Equipment so purchased plus accrued and unpaid interest thereon.

Section 2.14 The Register; Transfer, Exchange and Replacement of the Notes. The Owner shall cause to be kept at its place of business, one or more books (the Register) for the registration of the Notes (including all transfers) and the names and addresses of the registered owner(s) of the Notes. Each Note after its initial issuance may be transferred only to an Institutional Investor (as defined in Section 14(b) of the Lease and shall be in fully registered form and shall be registered initially in the name of the first holder of such Note, and thereafter, upon surrender thereof as provided herein, in such names and payable at such locations as the registered owner of such Note may request. Upon surrender of a Note to the Owner (with instructions for transfer and with signatures guaranteed), the Owner will deliver to the registered owner thereof a new Note or Notes (the Exchange Note) in exchange for such Note, within a reasonable time after such request. The Exchange Note shall be (a) of the same tenor as the surrendered Note, (b) in any

denomination requested by the registered owner of said surrendered Note not to exceed the outstanding balance of the surrendered Note nor in an amount less than \$500,000 (or the unpaid principal amount, if less), (c) payable to such Person as such registered owner may request, and (d) dated such date as will result in no gain or loss of interest or principal. No service charge shall be made for any transfer or exchange of a Note. Any Exchange Note issued pursuant to this Section 2.14 shall evidence the same indebtedness as the Note having been transferred or exchanged and shall be entitled to the benefits and the security of all the security therefor. If a Note is lost, stolen or destroyed, or upon the surrender and cancellation of a mutilated Note, the Owner will, upon written request at the expense and upon the written request of the registered owner thereof, deliver to said registered owner, within a reasonable time after such request and in lieu of such lost, stolen, destroyed or mutilated Note, an Exchange Note of the same tenor and in a principal amount equal to the unpaid principal amount thereof. In the case of a lost, stolen or destroyed Note, the registered owner thereof shall furnish evidence of loss (which, so long as the registered owner of such Note is an Institutional Investor, may be an affidavit of an officer of such registered owner as to such loss) and such indemnity or other security as the Owner may reasonably require; provided, however, that so long as such registered owner is an Institutional Investor, such

registered owner's unsecured agreement to indemnify the Owner shall constitute a sufficient indemnity for this purpose.

Section 2.15 Registered Owner. The Owner shall deem and treat the registered owner of a Note as the absolute owner thereof (whether or not such Note shall be overdue) for all purposes, and the Owner shall not be affected by any notice to the contrary, and payment of the principal of, Reinvestment Premium, if any, and interest on the Notes shall be made only to or upon the order of such registered owner. All such payments so made shall be valid and effectual to satisfy and discharge the liability of the Owner upon the Notes to the extent of the sum or sums so paid.

Section 2.16 Books and Records; Notice of Defaults.

(a) The Owner will (i) keep adequate records and books of account reflecting all its financial transactions with respect to the Collateral and (ii) permit the Secured Party by its agents, accountants and attorneys, to inspect the Equipment and to examine the Owner's records and books of account, as they relate to the Collateral, and to discuss its affairs, finances and accounts, as they relate to the Collateral, at such reasonable times as may be requested by the Secured Party upon reasonable notice and at all times subject to the Lessee's rights set forth in Section 13 of the Lease.

(b) Promptly upon a Responsible Officer's obtaining knowledge thereof, the Owner will notify the Secured Party of the

occurrence of any default or Event of Default under the Notes,
this Security Agreement, or the Lease.

ARTICLE 3

Possession, Use and Release of the Property

Section 3.1 Purchase of the Property by Lessee. (a)

Within 5 days after receipt by the Owner of any notice from Lessee given pursuant to the Lease of the intention of Lessee to terminate the Lease or purchase any Equipment pursuant to Sections 28(a) or 28(b) of the Lease, the Owner shall furnish to the Secured Party a copy of such notice and any offer by Lessee to purchase any Equipment. In the event that the Lessee elects to purchase any Equipment pursuant to Section 28(b) of the Lease, the Owner will comply with all applicable provisions of the Lease, so that the purchase of such Equipment by Lessee shall be duly consummated within the time period prescribed by the Lease. If the Owner shall fail to comply with the provisions of the Lease necessary to permit the consummation of the purchase of such Equipment by Lessee or cause the same to be complied with, the Secured Party may, and shall have the right and power (which right and power are coupled with an interest) to, and is hereby irrevocably appointed the agent and attorney-in-fact of the Owner to, take all actions necessary to comply with said provisions, including, without limitation, the execution and delivery, in the name and on behalf of the Owner, of a bill of sale or other instrument of conveyance or assignment, conveying and assigning such Equipment to Lessee or its designee; but the provisions of this sentence shall not prevent any default in the observance or

performance of any covenant, condition or agreement contained in this paragraph (a) from constituting an Event of Default. If Lessee shall purchase any Equipment pursuant to Section 28(b) of the Lease and shall make payment of the purchase price therefor to the Secured Party pursuant to the Assignment, then the Secured Party shall execute and deliver to the Owner a release of such Equipment and the Lease as it relates to such Equipment from the lien of this Security Agreement and any other security documents promptly after receipt of such payment, together with all other sums then due and payable under this Security Agreement and the Lease as such sums relate to such Equipment. Payments received by the Secured Party pursuant to this Section 3.1(a) shall become part of the Collateral and shall be disposed of pursuant to Article 4. If such offer to purchase shall be received by the Secured Party from Lessee, the Secured Party shall furnish a copy thereof to the Owner, and the provisions of this Section shall be applicable to the same extent as if such offer to purchase had been received by the Owner from Lessee.

(b) Each bill of sale or other instrument of conveyance or assignment executed and delivered by the Secured Party pursuant to this Section shall be binding upon the Owner and every future owner of any interest in the Equipment with the same effect as if the Owner and every such future owner had personally executed and delivered the same.

Section 3.2 Condemnation. Immediately upon a Responsible Officer's obtaining knowledge of any proceedings for the taking

of any of the Equipment in condemnation or other eminent domain proceeding, the Owner shall notify the Secured Party of the pendency thereof. Any award or compensation payable in such proceedings to the Owner or to the lessor under the Lease or assigned to such lessor by Lessee is hereby assigned to and shall be paid to the Secured Party. The Secured Party shall be under no obligation to question the amount of the award or compensation and may accept the same. Any award or compensation so received shall be disposed of pursuant to Article 4. For the purposes of this Section 3.2, any notifications required to be delivered to the Secured Party by the Owner shall be considered delivered in accordance with the terms hereof if delivered to the Secured Party directly by Lessee in accordance with the manner required hereby.

Section 3.3 Purchase of Equipment by Owner. If the Lessee shall have determined not to exercise its option to purchase Equipment on the Termination Date applicable to such Equipment in accordance with Section 28(b) of the Lease and Owner shall desire to purchase such Equipment, then on the thirtieth day preceding the Termination Date applicable to such Equipment, the Owner shall pay to the Secured Party by bank wire transfer of immediately available federal funds an amount equal to the Allocable Portion of the Notes relating to such Equipment, together with accrued interest thereon to the date of such payment, plus, in the case of purchases which occur at the end of the Basic Term or any of the first eighteen Renewal Terms (as

defined in the Lease) the Reinvestment Premium. Prior to the payment of the amount required to be paid by the Owner pursuant to the immediately preceding sentence, Owner shall not reject any bid received for the Equipment by any third party under Section 28(c) of the Lease without the written consent of the Secured Party. Upon payment of the Allocable Portion of the Notes with respect to any Equipment together with all other amounts then required to be paid by Owner hereunder the Secured Party will release such Equipment from the lien of this Security Agreement in manner set forth in Section 3.1.

Section 3.4 Sale of Equipment to Third Party; Termination Date Payments. Except in the case of Equipment which shall have been purchased by the Lessee pursuant to Section 28(b) of the Lease or in respect of which the Owner shall have made the payments permitted to be made pursuant to Section 3.3 hereof, on the Termination Date for any Equipment the Net Proceeds of Sale (as defined in the Lease), if any, derived from the sale of such Equipment shall be paid over to the Secured Party on the applicable Termination Date, or such earlier date as the same shall be payable by Lessee under the Lease, by wire transfer of immediately available federal funds. If either such Equipment is not sold on the applicable Termination Date or the Net Proceeds of Sale are insufficient to pay in full the Allocable Portion of the Notes relating to such Equipment, and provided that the Lessee is not in default under the Lease (including, without limitation, with respect to the Lessee's obligation to pay the

amounts due pursuant to Sections 28 and 29 of the Lease), the Owner shall pay to the Secured Party by wire transfer of immediately available federal funds (i) to the extent received from the Lessee, all amounts owed by the Lessee pursuant to Section 29 of the Lease (together with Lessee's payment of the Reinvestment Premium, if applicable pursuant to the Lease) and (ii) such additional amounts as may be required to pay the Allocable Portion of the Notes relating to such Equipment, but in no event an amount greater than the Maximum Lessor Risk Amount set forth in the Lease. Notwithstanding anything in this Security Agreement or the Notes to the contrary, in no event shall the Owner be required to make any payments to the Secured Party in respect of the Reinvestment Premium except to the extent the same are received from the Lessee.

Section 3.5 Transfer of the Owner's Interest in the Property. In addition to the transfers by the Owner otherwise permitted by this Security Agreement, if no Event of Default shall have occurred and be continuing, the Owner and any Subsequent Owner may sell, assign or otherwise transfer its interest in, to and under the Equipment in accordance with the Lease, subject to the lien hereof, the Lease and the Assignment; provided, that upon any such sale, assignment or transfer, and upon each and every succeeding sale, assignment or transfer, the Subsequent Owner shall execute and deliver to the Secured Party an instrument, in form and substance reasonably satisfactory to the Secured Party, irrevocably appointing the Secured Party as

agent and attorney-in-fact to take all actions and do all things in its behalf of the character which the Secured Party is authorized by this Security Agreement to do as agent and attorney-in-fact of the Owner, and to execute and deliver in its name and behalf any deed or other instrument which, pursuant to the terms hereof, the Secured Party is authorized to execute and deliver in the name and behalf of the Owner; and provided, further, that each Subsequent Owner shall (a) expressly agree that the interest or estate so acquired is subject and subordinate to this Security Agreement, the Lease, and the Assignment, (b) expressly agree to be bound, subject to the terms of Section 7.1, by all of the obligations and undertakings of the Owner contained in this Security Agreement applicable to the Equipment or the estate or interest therein acquired by such Subsequent Owner, (c) expressly agree to be bound by the provisions of Section 2.12, and (d) be an Institutional Investor.

ARTICLE 4

Application of Moneys

Section 4.1 Moneys Under the Lease. (a) Unless and until an Event of Default shall have happened and be continuing, moneys received by the Secured Party pursuant to the Assignment as Rent under, and as defined in, the Lease and as interest on any overdue installment thereof shall be applied, first, to the Installment Payments (and for interest on any overdue amount thereof) due on or about the date on which such payment of Rent is due and second (if no default has occurred and is continuing under the Note or this Security Agreement), the excess, if any, shall be paid to the Owner or upon its written order, free from the lien hereof.

(b) Any moneys received by the Secured Party from the Lessee on account of any Event of Loss shall be applied to the payment of the Allocable Portion of the Notes relating to the Equipment which shall have suffered such Event of Loss, but without premium.

(c) Any moneys received by the Secured Party as a Supplemental Payment (as defined in the Lease) or other sums under the Lease shall be applied to the purposes for which such moneys were paid pursuant thereto.

(d) Excess amounts received pursuant to the second sentence of the first paragraph of Section 29 of the Lease shall be retained by the Secured Party to be applied to Owner's obligations pursuant to Section 3.4 hereof, and any excess

following such application shall be promptly paid over by the Secured Party to or upon the order of Owner.

Section 4.2 Purchase Prices. Moneys received by the Secured Party (i) as the purchase price for the Equipment pursuant to Section 28 of the Lease, (ii) as the end of term adjustment by the Lessee pursuant to Section 29 of the Lease, or (iii) from the Owner pursuant to Section 3.3 or 3.4 of this Security Agreement shall be applied promptly to the payment or prepayment of the entire unpaid principal amount of the Notes or an Allocable Portion of the Notes, as the case may be, at a price equal to 100% of the principal amount thereof outstanding, plus accrued and unpaid interest thereon to the date fixed for payment, with Reinvestment Premium, if applicable; and if no Event of Default has occurred and is continuing hereunder, any balance shall be paid to the Owner within 10 days after the date of such payment.

Section 4.3 Proceeds of Insurance and Condemnation Awards. Moneys received by the Secured Party as payment for an Event of Loss under any policy of insurance or as an award or compensation for the taking, in condemnation or other eminent domain proceedings, of the Equipment, shall be applied to payment of the Allocable Portion of the Notes relating to such Equipment, or, if Lessee shall have paid the Estimated Residual Value of such Equipment and so long as no Event of Default shall exist under the Lease, such moneys shall be paid over to Lessee as and to the extent that Lessee is entitled to receive the same under

the Lease. Any such moneys not so paid over or required to be paid over to Lessee shall be held as part of the Collateral.

ARTICLE 5

Prepayment

Section 5.1 Prepayment. No prepayment of the Notes may be made except as provided in this Security Agreement, and all such prepayments shall be made in accordance with Articles 3, 4 and 5, as applicable.

Section 5.2 Notice of Prepayment. At least 30 days prior to the date fixed for prepayment of the Notes, notice thereof shall be sent by the Owner to the Secured Party and each registered owner of a Note by prepaid registered or certified mail. Any such notice so mailed shall conclusively be presumed to have been given to the Secured Party and such registered owners whether or not the Secured Party actually received such notice. Such notice shall specify the date fixed for prepayment, the principal amount of the Notes to be prepaid and the premium to be paid, if any.

Section 5.3 Deposit of Moneys. On or prior to the date fixed for each prepayment of the Notes, the moneys required therefor shall be deposited with the Secured Party by the Owner. Interest on any principal designated for prepayment shall cease upon the date fixed therefor unless default shall be made in the payment of the price payable upon such prepayment.

ARTICLE 6

Events of Default and Remedies

Section 6.1 Events of Default. If one or more of the following Events of Default shall happen, that is to say:

- (a) if default shall be made in any Installment Payment due on the Notes, or in any other payment of principal, interest, or Reinvestment Premium, if any, on the Notes, whether at maturity, by acceleration or as part of any prepayment or otherwise, as in the Notes and this Security Agreement provided, and such default shall continue for 5 days;
- (b) if the Lease shall expire, cease to be effective or otherwise terminate or in any way be amended or modified (except as expressly provided for herein or therein other than a termination arising on account of the occurrence of an Event of Default under the Lease);
- (c) if any representation or warranty of the Owner or Lessee set forth in this Security Agreement, the Lease, the Note Agreement or the Assignment or set forth in any notice, certificate, instrument, demand or request delivered pursuant hereto or thereto shall prove to be incorrect or misleading in any material respect to the detriment of any Person to whom or for whose benefit the representation or warranty was made as of the time when the same shall have been made;
- (d) if a default by the Owner shall be made in the due observance or performance of any covenant or agreement contained in Section 2.12, Section 3.3, or in Section 3.4 or if the Owner shall fail to keep in place the casualty or general liability insurance required to be maintained by the terms of Section 2.9 hereof;
- (e) if the Owner shall default in the performance of any other covenant, agreement or obligation on the part of the Owner to be performed hereunder and such default shall continue for a period of 30 days after notice thereof, specifying such default, shall have been given to the Owner; provided, however, that in the case of a default which cannot with reasonable diligence be remedied by the Owner within a period of 30 days, if the Owner shall commence within such period of 30 days to remedy the default and thereafter shall prosecute the remedying of such default (including, without

limitation, complying with any governmentally imposed plan for remediation or cleanup of environmental contamination) with all reasonable diligence, the period of time after the giving of such notice within which to remedy the default shall be extended for such period as may be necessary to remedy the same with all reasonable diligence, up to a maximum period of 120 days after notice of such default;

- (f) if an Event of Default shall occur under and as defined in the Lease;
- (g) if the Owner or any Subsequent Owner (for the purposes of this subparagraph (g) collectively called Owner) shall be adjudicated a debtor or bankrupt or be declared insolvent or file for an order of relief under the Federal Bankruptcy Code (the Bankruptcy Act) or any other federal or state law as now or hereafter in effect relating to bankruptcy, insolvency, reorganization, winding-up or adjustment of debts (hereinafter collectively called Bankruptcy Laws), or if the Owner shall (i) apply for or consent to the appointment of, or the taking of possession by, any receiver, custodian, trustee, United States Trustee or liquidator (or other similar official) of the Collateral or of the Owner or of any substantial portion of the Owner's property, or (ii) generally not pay its debts as they become due, or admit in writing its inability to pay its debts generally as they become due, or (iii) make a general assignment for the benefit of its creditors, or (iv) file a petition commencing a voluntary case under or seeking to take advantage of any Bankruptcy Law, or (v) fail to controvert in timely and appropriate manner, or in writing acquiesce to, any petition commencing an involuntary case against the Owner or otherwise filed against the Owner pursuant to any Bankruptcy Law, or (vi) take any action in furtherance of any of the foregoing; or
- (h) if an order for relief against the Owner or any Subsequent Owner (for the purposes of this subparagraph (h) collectively called Owner) shall be entered in any involuntary case under the Bankruptcy Act or any similar order against the Owner shall be entered pursuant to any other Bankruptcy Law, or if a petition commencing an involuntary case against the Owner or proposing the reorganization of the Owner under the Bankruptcy Act shall be filed in and approved by any court of competent jurisdiction and not be discharged or denied within 60 days after such filing, or if a proceeding or case shall be commenced in any court of competent jurisdiction seeking (i) the liquidation,

reorganization, dissolution, winding-up or adjustment of debts of the Owner, or (ii) the appointment of a receiver, custodian, trustee, United States Trustee or liquidator (or other similar official) of the Collateral or of the Owner or of any substantial portion of the Owner's property, or (iii) any similar relief as to the Owner pursuant to the Bankruptcy Act or any Bankruptcy Law, and any such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect for 60 days;

provided, however, that if the only Event of Default which has occurred and is continuing hereunder is (1) an Event of Default described in clause (f) or any Event of Default which has resulted from an Event of Default described in clause (f) or (2) an Event of Default described in clause (c) which relates solely to a misrepresentation by Lessee (such Events of Default under (1) and (2) called Lessee Defaults) the Secured Party shall not exercise any right or remedy pursuant hereto unless the Secured Party is concurrently pursuing (subject to any legal constraints which would prohibit such action) one or more remedies available to the Secured Party as assignee of the Owner's interest in the Lease, under the Lease. If the Secured Party shall, in accordance with its rights hereunder, exercise its remedies under this Security Agreement without concurrently exercising its rights as assignee of the Owner's interest in the Lease (subject to any legal constraints which would prohibit such action), then the Owner's obligations with respect to the Maximum Lessor Risk Amount shall terminate and the Secured Party shall have no further rights with respect thereto.

Then in every such case, during the continuance of any Event of Default:

I. The Secured Party, by written notice to the Owner may declare the entire principal amount of the Notes (if not then due and payable) and all accrued and unpaid interest thereon to be due and payable immediately, and upon any such declaration the principal of the Notes and said accrued and unpaid interest shall become and be immediately due and payable, anything to the contrary contained in the Notes or in this Security Agreement notwithstanding.

II. The Secured Party personally, or by its agents or attorneys, may enter into and upon the premises of the Owner and the Lessee (to the extent not prohibited by the Lease) and take possession of the Equipment, and, may use, operate, manage and control the same, may maintain and repair the Equipment, may insure and reinsure the same and may make all necessary or proper repairs, renewals and replacements and any useful alterations, additions, and improvements thereto and thereon, all as it may deem advisable; and in every case the Secured Party shall have the right to manage and operate the Equipment and exercise all rights and powers of the Owner with respect thereto either in the name of the Owner or otherwise as the Secured Party shall deem best; and the Secured Party shall be entitled to collect and receive all earnings, revenues, rents, issues, profits and income of the Equipment and said earnings, revenues, rents, issues, profits and income are, in case an Event of Default shall happen,

hereby assigned to the Secured Party, its successors and assigns; and, after deducting the expenses of all maintenance, repairs, renewals, replacements, alterations, additions, and improvements and taxes, assessments, insurance and prior or other proper charges upon the Collateral, as well as reasonable compensation for the services of all attorneys, servants and agents by the Secured Party properly engaged and employed, the Secured Party shall apply the moneys arising as aforesaid as follows:

(1) in case an Event of Default, other than an Event of Default of the nature described in clause (a) of this Section, shall have happened, first to the payment of the Installment Payments and any other payments of the principal of the Notes and interest thereon, when and as the same shall become payable, and second to the payment of any other sums required to be paid by the Owner under this Security Agreement, and third to the payment of the surplus, if any, to whomever shall be entitled thereto (provided, however, that in the event of any sale of the Collateral pursuant to paragraph III below, the proceeds of such sale shall be applied in the order of priorities and amounts set forth in Section 6.2(e)); or

(2) in case an Event of Default described in clause (a) of this Section shall have happened, in the order of priorities and amounts set forth in Section 6.2(e).

III. The Secured Party, with or without entry, personally or by its agents or attorneys, may:

(1) sell, to the extent permitted by law, all and singular the Collateral and all estate, right, title, interest, claim and demand therein and right of redemption thereof at one or more private or public sales, as an entirety or in parcels and at such times and places and upon such terms as the Secured Party may specify in the notice or notices of sale to be given to the Owner or as may be required by law;

(2) institute proceedings for the complete or partial foreclosure hereof; or

(3) take all steps to protect and enforce its rights and remedies, whether by action, suit or proceeding in equity or at law (for the specific performance of any covenant, condition or agreement in the Notes or in this Security Agreement contained or in aid of the execution of any power herein granted or for any foreclosure hereunder or for the enforcement of any other appropriate legal or equitable remedy) or otherwise as the Secured Party shall deem most effectual to protect and enforce the same. To the extent not prohibited by law, the Secured Party may conduct any number of sales from time to time and the power of sale shall not be exhausted by any one or more such sales as to any part of the Collateral remaining unsold, but shall continue unimpaired until all of the Collateral shall have been sold or the Notes and all indebtedness of the Owner hereunder shall have been paid.

IV. The Secured Party shall have all rights and remedies provided to a secured party by the Uniform Commercial Code.

Section 6.2 Sale of Collateral; Application of Proceeds.

(a) The Secured Party may postpone the sale of the Collateral by public announcement at the time and place of such sale, and from time to time thereafter may further postpone such sale by public announcement made at the time of sale fixed by the preceding postponement.

(b) Upon the completion of any sale made by the Secured Party under or by virtue of this Article, the Secured Party shall execute and deliver to the purchaser good and sufficient bills of sale and other instruments conveying, assigning and transferring all its estate, right, title and interest in and to the property and rights sold. The Secured Party is hereby irrevocably appointed the true and lawful attorney of the Owner and any Subsequent Owner to make, in its own name and stead or in the name of the Owner or such Subsequent Owner, all necessary conveyances, assignments, transfers and deliveries of the property and rights so sold and for that purpose the Secured Party may execute all necessary deeds and instruments of assignment and transfer and may substitute Persons with like power, the Owner and such Subsequent Owner hereby ratifying and confirming all that his said attorney or such substitutes shall lawfully do by virtue hereof. Nevertheless, the Owner and any Subsequent Owner, if so requested in writing by the Secured Party, shall ratify and confirm any such sale by executing and delivering to the Secured Party or to such purchasers any instrument which, in the judgment of the Secured Party, is

suitable or appropriate therefor. Any such sale made under or by virtue of this Article, whether made under the power of sale herein granted or under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, shall operate to divest all the estate, right, title, interest, claim and demand whatsoever, whether at law or in equity, of the Owner and any Subsequent Owner in and to the property and rights so sold, and shall be a perpetual bar at law and in equity against the Owner and any Subsequent Owner, and their respective successors, assigns and any and all Persons who claim or may claim the same from, through or under any of them.

(c) The receipt of the Secured Party for the purchase money paid as a result of any such sale shall be a sufficient discharge therefor to any purchaser of the Collateral sold as aforesaid; and no such purchaser or its representatives, grantees or assigns, after paying such purchase money and receiving such receipt, shall be bound to see to the application of such purchase money upon or for any purpose hereof, shall be answerable in any manner whatsoever for any loss, misapplication or non-application of any of such purchase money or shall be bound to inquire as to the authorization, necessity, expediency or regularity of any such sale.

(d) In the event of any sale made under or by virtue of this Article (whether made under the power of sale herein granted or under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale), the entire principal of and

interest on the Notes and Reinvestment Premium thereon, if any, and all other sums required to be paid by the Owner pursuant hereto, if not previously due and payable, shall immediately become due and payable, anything in the Notes or in this Security Agreement to the contrary notwithstanding.

(e) The purchase money, proceeds or avails of any sale made under or by virtue of this Article, together with any other sums which then may be held by the Secured Party as part of the Collateral or the proceeds thereof, whether under the provisions of this Article or otherwise, shall be applied as follows:

FIRST: to the payment of the costs and expenses of such sale, including compensation to the Secured Party, its agents and reasonable fees and expenses of counsel, and of any judicial proceeding wherein the same may be made and of all expenses, liabilities and advances made or furnished or incurred by the Secured Party hereunder, together with interest at the Overdue Rate on all such advances and all taxes, assessments or other charges, except any taxes, assessments or other charges subject to which the Collateral shall have been sold;

SECOND: To the payment of the whole amount then due, owing or unpaid on the Notes in the following order: first, for interest and second, for principal;

THIRD: To the payment of any other sums required to be paid by the Owner pursuant to any provisions of this Security Agreement or the Notes;

FOURTH: To the payment of the surplus, if any, to whosoever shall be lawfully entitled thereto.

(f) Upon any sale made under or by virtue of this Article (whether made under the power of sale herein granted or under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale), the Secured Party may bid for and acquire

the Collateral and in lieu of paying cash therefor may make settlement for the purchase price by crediting upon the indebtedness of the Owner secured hereby the net proceeds of sale after the deduction of all costs, expenses, compensation and other charges to be paid therefrom as herein provided and any other sums which the Secured Party is authorized to deduct hereunder. The Person making such sale shall accept such settlement without requiring the production of the Notes, and without such production there shall be deemed credited thereon the pro rata share of the net proceeds of sale ascertained and established as aforesaid. The Secured Party, upon so acquiring the Collateral, shall be entitled to hold, lease, rent, operate, manage or sell the same in any lawful manner.

Section 6.3 Voluntary Appearance; Receivers. After an Event of Default and immediately upon the commencement of any action, suit or other legal proceeding by the Secured Party to obtain judgment for the principal of or interest on the Notes and other sums required to be paid by the Owner pursuant hereto or of any other nature in aid of the enforcement of the Notes or of this Security Agreement, the Owner will, to the extent not prohibited by law, (a) enter voluntary appearances in such action, suit or proceeding, and (b) if required by the Secured Party, consent to the appointment of receivers of the Collateral and of all the earnings, revenues, rents, issues, profits and income thereof. After an Event of Default and during its continuance or upon the filing of a bill in equity to foreclose

this Security Agreement or to enforce the specific performance hereof or in aid therefore or upon the commencement of any other judicial proceeding to enforce any right of the Secured Party, the Secured Party shall be entitled forthwith, as a matter of right and if it shall so elect, without the giving of notice to any other party and without regard to the adequacy or inadequacy of the security of the Collateral either before or after declaring the unpaid principal of the Notes to be due and payable, to the appointment of such receivers. Any receivers so appointed shall have such powers as the court making the appointment shall confer, which may be any or all of the powers which the Secured Party is authorized to exercise by the provisions of Clause II of Section 6.1, and shall have the right to incur such obligations and to issue such certificates therefor as the court shall authorize.

Section 6.4 Retention of Possession. Notwithstanding the appointment of any receiver, liquidator or trustee of the Owner or of any of its property or of the Collateral, the Secured Party shall be entitled to retain possession and control of all or any part of the Collateral now or hereafter held by the Secured Party hereunder.

Section 6.5 Remedies Cumulative. No remedy herein conferred upon or reserved to the Secured Party is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law

or in equity or by statute. No delay or omission of the Secured Party to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by this Security Agreement to the Secured Party may be exercised from time to time and as often as may be deemed expedient by the Secured Party.

Section 6.6 Waiver of Rights. To the extent such waiver shall not be prohibited by law, the Owner agrees that it will not at any time insist upon, plead or in any manner whatever claim or take any benefit or advantage of any stay or extension or moratorium law, wherever enacted or whenever hereafter in force, that may affect the covenants and terms of performance hereof; nor claim, take or insist upon any benefit or advantage of any law whenever hereafter in force providing for the valuation or appraisal of the Collateral prior to any sale or sales thereof which may be made pursuant hereto or pursuant to the decree, judgment or order of any court of competent jurisdiction; nor, after any such sale or sales, claim or exercise any right under any statute whenever or by whomever enacted to redeem the property so sold or any part thereof; and the Owner hereby expressly waives all benefit or advantage of any such law or laws, and covenants not to hinder, delay or impede the execution of any power herein granted or delegated to the Secured Party, but to suffer and permit the execution of every power as though

no such law or laws had been made or enacted. The Owner for itself and all who may claim under the Owner, waive, to the extent not prohibited by law, all right to have the Collateral marshalled upon foreclosure hereof.

Section 6.7 Purchase of Note by Owner. If an Event of Default caused solely by a default by Lessee in the payment of Rent or any Supplemental Payment has occurred and is continuing and Secured Party shall have given notice of acceleration of the Notes pursuant to Section 6.1 and its intent to pursue its remedies against Lessee if so required then the Owner may, in its sole discretion, by written notice to the Secured Party elect to purchase all of the Notes at a price equal to the outstanding principal amount of the Notes, together with accrued and unpaid interest thereon, without premium. The Owner shall give notice to the Secured Party of its election to purchase the Notes within 10 days after receipt of notice from the Secured Party of its intent to so exercise its remedies, or it shall have been deemed to have waived its rights hereunder. The Owner shall specify in such notice the date of its purchase of the Notes, which date shall be a date occurring no more than 10 days after the date of such notice from the Owner.

Section 6.8 Amendment of Lease; New Lease of the Property. So long as any obligations of Lessee remain outstanding under the Lease (a) the Owner shall be entitled to receive, and Secured Party agrees to send to the Owner, copies of all notices, demands, consents, approvals and waivers which may,

from time to time, be given or granted by Secured Party to Lessee pursuant to the provisions of the Lease or the Assignment, (b) unless an Event of Default other than a Lessee Default has occurred and is continuing, Secured Party will not agree to any amendment or modification of, or grant any consent, approval or waiver with respect to, any of the terms, conditions or provisions of the Lease or the Assignment without also obtaining the agreement of the Owner to such amendment, modification, consent, approval or waiver, and (c) if a Lessee Default has occurred and is continuing, Secured Party agrees that (i) it will not, without also obtaining the agreement of the Owner, agree to any amendment, modification or waiver of any of the provisions of Sections 18 or 19 of the Lease, the effect of which would be to reduce, modify or amend any indemnities payable by Lessee to the Owner (except to add additional indemnities by Lessee); and (ii) it will not, without the consent of the Owner, modify, amend or supplement the Lease or deliver notices, consents, determinations, demands, approvals, directions or releases in respect of the Lease so as to release Lessee from any of its obligations under the Lease; provided, however, if Secured Party waives the Owner's obligation to pay the Maximum Lessor Risk Amount hereunder, Secured Party may accomplish any of the actions specified in this clause (c)(ii) without the Owner's consent.

ARTICLE 7

Miscellaneous

Section 7.1 Immunity from Liability. Anything in this Security Agreement or the Notes to the contrary notwithstanding, it is understood and agreed that (irrespective of any breach of any representation, covenant, agreement or undertaking of any nature whatsoever made in this Security Agreement or the Notes by the Owner) no recourse shall be had under any rule of law, statute or constitution or by the enforcement of any assessments or penalties or otherwise for the payment of the principal of or interest or Reinvestment Premium, if any, due on the Notes or for any claim based thereon or otherwise in respect thereof or based on or in respect of this Security Agreement against (i) the Owner, or any past, present or future Affiliate, partner, officer, director, any shareholder, agent or employee of any thereof or of any partner thereof or its legal representatives, successors or assigns, (ii) any corporation, partnership (or any partner thereof), entity or individual to which ownership of the Collateral, or any part thereof, shall have been transferred, or (iii) any Person or party on the ground that in entering into the transactions evidenced by this Security Agreement and the Notes, the Owner was acting as an agent for the account and benefit of such Person or party and that such Person or party was the principal of the Owner. It is expressly understood that by the acceptance of the Notes all such liability (a) of the Owner, or

any past, present or future Affiliate, partner, officer, director, any shareholder, agent or employee thereof or director or shareholder thereof or director or shareholder of any partner thereof or any of its respective legal representatives, successors or assigns, (b) of any such corporation, partnership, individual or partner or (c) of such other Person or party is and is being expressly waived and released as a condition of and as a consideration for the execution of the Notes and this Security Agreement, that the Secured Party, the registered owners of the Notes and their successors and assigns as registered owners of the Notes agree to look solely to the Collateral and to the sums due or to become due under the Lease (other than Excluded Amounts) for the payment of any such sum. Nothing contained herein or in the Notes, however, shall be taken to (i) prevent recourse to and the enforcement against the Collateral of all liabilities, obligations and undertakings contained herein and in the Notes and the Lease, (ii) limit, restrict or impair the right of any such registered owner to accelerate the maturity of the Notes upon the occurrence of an Event of Default hereunder other than as provided in Section 6.7 hereof, (iii) prevent the bringing of an action or obtaining of a judgment against the Owner, provided that neither the Owner, nor any past, present or future Affiliate, partner, officer, director, shareholder, agent or employee thereof or director or shareholder of any partner thereof or any of its respective legal representatives, successors or assigns or any corporation, partnership (or any

partner thereof) or individual to which ownership of the Collateral shall have been transferred shall have any personal liability on such judgment and the satisfaction thereof shall be limited to said Collateral and the sums due and to become due under the Lease, (iv) prevent the bringing of an action or obtaining of a judgment to foreclose the lien hereof or otherwise realize upon the Collateral or the sums due or to become due under the Lease, including the right to proceed against Lessee under the Lease, (v) prevent recourse against the Owner for the payment of net income, franchise, estate, inheritance, succession, transfer or profits taxes or the discharge of liens which Lessee is not obligated to pay or discharge under the Lease or (vi) prevent personal recourse against the Owner for the Maximum Lessor Risk Amount due pursuant to the terms of Section 3.4.

Section 7.2 Notices; Modification; Waiver. All notifications, notices, demands or requests herein provided for or made pursuant hereto shall be in writing and shall be sent by (i) registered or certified mail, return receipt requested, and such notice, demand or other communication shall be deemed complete on the third Business Day after the same is deposited with a United States Post Office with postage charges prepaid or (ii) by reputable delivery service guaranteeing overnight delivery and the giving of notice shall be deemed complete on the immediately succeeding Business Day after the same is deposited with such delivery service to the Secured Party or the Owner at

the addresses first above set forth or at such other address as the party to be notified shall have specified, and such notifications, notices, demands or requests shall be deemed given on the date of receipt. This Security Agreement may not be modified or discharged except by an instrument in writing executed by the Owner and the Secured Party. No requirement hereof may be waived at any time except by a writing signed by the Secured Party, nor shall any waiver be deemed a waiver of any subsequent breach of default of the Owner.

Section 7.3 Illegal Provision. If any provision herein or in the Notes contained shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Security Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

Section 7.4 Maximum Interest Payable. Neither this Security Agreement nor the Notes shall require the payment or permit the collection of interest in excess of the maximum not prohibited by law. If herein or in the Notes any excess of interest in such respect is provided for or shall be adjudicated to be so provided for, neither the Owner nor its successors or assigns shall be obligated to pay such interest in excess of the maximum amount not prohibited by law, and the right to demand the payment of any such excess shall be and hereby is waived; and

this provision shall control any other provision of this Security Agreement or the Notes.

Section 7.5 Satisfaction. If, prior to the declaration pursuant to Clause I of Section 6.1 of the principal of and interest and Reinvestment Premium, if any, on the Notes to be due and payable, the Owner shall well and truly pay or cause to be paid (provided such payment is permitted or required hereby) the full amount of the principal, interest and Reinvestment Premium, if any, on the Notes as and when the same shall become due and payable and the Owner shall do and perform all covenants and obligations to be done and performed by the Owner hereunder, then and in that case the Secured Party shall, at the cost and expense of the Owner, satisfy and cancel this Security Agreement and execute and delivery such instruments as reasonably shall be demanded by the Owner to satisfy and discharge the lien hereof.

Section 7.6 Binding Effect. The covenants, conditions and agreements herein contained shall bind, and the benefits and advantages shall inure to, the respective heirs, executors, administrators, successors and assigns of the parties hereto. Whenever used, the singular shall include the plural, the plural include the singular and the use of any gender shall include all genders.

Section 7.7 Counterparts. This Security Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same instrument.

Section 7.8 Table of Contents; Headings. The table of contents contained herein and the headings of the various Articles and Sections herein have been inserted for reference only and shall not to any extent have the effect of modifying or amending the express terms and provision hereof.

Section 7.9 Governing Law. This Security Agreement shall be governed by the laws of the State of Delaware.

Section 7.10 Estoppels. At any time and from time to time upon not less than 15 days' prior written request by any party hereto, the other party hereto shall furnish a certificate certifying that this Security Agreement is in full force and effect (or that this Security Agreement is in full force and effect as modified and setting forth the modifications) to the best knowledge of the signer of such certificate after due inquiry and investigation, whether or not the Owner is in default under any of its obligations hereunder (and, if so, the nature of such alleged default), and such other matters as may reasonably be requested.

IN WITNESS WHEREOF, the Owner has executed this Security Agreement as of the date first above written.

RAIL CO. II

By: M. A. Ferrucci
Name: M. A. FERRUCCI
Title: PRESIDENT

STATE OF DELAWARE)
) SS:
COUNTY OF NEW CASTLE)

On this 15th day of June, 1992 before me personally
appeared M.A. Ferrucci, the President
of RAIL CO. II, a Delaware corporation, and acknowledged that
the foregoing instrument was signed and sealed on behalf of said
corporation by authority of its Board of Directors and the
execution of the foregoing instrument was the free act and deed
of said corporation.


Notary Public

[Seal]

My commission expires:

September 22, 1993

STATE OF DELAWARE
COUNTY OF NEW CASTLE

)
) SS:
)

On this 15th day of June, 1992 before me personally
appeared M.A. Ferrucci, the President
of RAIL CO. II, a Delaware corporation, and acknowledged that
the foregoing instrument was signed and sealed on behalf of said
corporation by authority of its Board of Directors and the
execution of the foregoing instrument was the free act and deed
of said corporation.


Notary Public

[Seal]

My commission expires:

September 22, 1993

EXHIBIT A

1. 100-ton center flow covered hopper rail cars built by ACF Industries, Incorporated number SAMX40000 through SAMX40088 and SAMX60000 through SAMX60025.
2. Specialty tank rail cars built by Union Tank Car Company numbered CRGX16046 through CRGX16100
3. Specialty tank rail cars built by Trinity Industries, Inc. numbered CRGX7320 through CRGX7429.
4. Together with all modifications, attachments, improvements, replacements and substitutions therefor and thereto.